



INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

We make Indiana a cleaner, healthier place to live.

Mitchell E. Daniels, Jr.
Governor

Thomas W. Easterly
Commissioner

100 North Senate Avenue
Indianapolis, Indiana 46204
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September 27, 2006

Dear Title V Sources and Interested Parties:

Since the inception of the Title V rules, IDEM has had the regulatory authority to increase Title V annual operating fees every year using the Consumer Price Index (CPI). To date, IDEM has not increased Title V annual operating fees because IDEM has been able to adequately fund the Title V program by maintaining the current level of annual operating fees. However, after extensive consideration, IDEM's Office of Air Quality (OAQ) has concluded that in order to continue to provide quality permit service in our Air Permit program, it has become necessary to request an increase in the Title V annual operating fees. At the Board Meeting on December 6, 2006, OAQ will be asking the Air Pollution Control Board to approve a 25% fee increase, which is approximately \$2.5 million annually.

In recent years, as emissions from Title V sources have decreased, the corresponding revenue from Title V fees has substantially decreased as well. The re-designation of Lake and Porter Counties from severe nonattainment to moderate nonattainment will also result in a significant decrease in revenue from Title V fees. Spending has increased in recent years due to several factors, including an eleven percent salary differential for engineers. Therefore, approximately \$500,000 of the requested increase would be necessary to ensure that next year's spending does not exceed revenue.

Additionally, in order to improve overall permitting service, the Permits Branch intends to eliminate the use of out-of-state contractors for writing permits. In order to begin the process of reducing the number of permits that are sent to out-of-state contractors, OAQ must first hire and train a significant number of additional staff to do work that is currently being done by contractors. OAQ anticipates that it will take approximately two years to hire and fully train the new staff required to review and write permits. During the transition period while new staff are being hired and trained, OAQ will continue to rely on contractors for writing some of the permits, in order to ensure quality and timely permit service. Therefore, approximately \$2 million of the requested increase would pay for the cost of hiring additional staff for the Permits Branch so that OAQ can eliminate the reliance on outside contractors for writing permits.

The Title V program allows fees to be adjusted in two different ways. Indiana Code §13-17-8 et seq authorizes IDEM to adjust fees as necessary to provide adequate revenue cover the direct and indirect costs of administering the Title V program. Alternately, these statutes authorize IDEM to adjust fees yearly using the Consumer Price Index (CPI). Because IDEM delayed the Title V fee adjustment until it was necessary to adequately cover program cost, Title V sources have benefited by paying lower annual fees in the past than would have been indicated if fees had been adjusted annually using the CPI. Additionally, the increase of fees by 25% still results in lower proposed fees than a fee adjusted annually using the CPI adjustment method.

Pursuant to 326 IAC 2-7-19(f), IDEM is providing the attached report to the public 60 days in advance of the December Air Pollution Control Board meeting, at which we will formally request a vote on the report. As required by the rule, the report includes more detailed information regarding the need for additional revenue and the proposed fee increase. If you have any questions or comments, please contact Nisha Sizemore, Permits Branch Chief, at (800) 451-6027, extension 2-8356, or dial (317) 232-8356, or via e-mail at nsizemor@idem.IN.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Easterly', with a long horizontal flourish extending to the right.

Thomas W. Easterly
Commissioner

Consumer Price Index (CPI)
Per cent Change in CPI
Calendar Years 1995 through 2006

Brief Explanation of the CPI

The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics published CPIs for two population groups: (1) the CPI for Urban Wage Earners and Clerical Workers (CPI-W), which covers households of wage earners and clerical workers that comprise approximately 32 percent of the total population and (2) the CPI for all Urban Consumers (CPI-U) and the Chained CPI for All Urban Consumers (C-CPI-U), which cover approximately 87 percent of the total population and include in addition to wage earners and clerical worker households, groups such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

CPI-U for All Items		CPI -U for all Items Excluding Food and Energy	
1995	2.5	2.8	
1996	3.3	2.6	
1997	1.7	2.2	
1998	1.6	2.4	
1999	2.7	1.9	
2000	3.4	2.6	
2001	1.6	2.7	
2002	2.4	1.9	
2003	1.9	1.1	
2004	3.3	2.2	
2005	3.4	2.2	
2006	3.8	2.8	2006 CPI-U is through August 31,2006

% Change in CPI Index Compounded Annually	36.55	31.1
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Using the annual percentage change in CPI-U for years 1995 through August 31, 2006 and compounding these per cent changes annually (11 year 8 month period) equates to a 36.55 percent increase for All Items and a 31.10 per cent increase for All Items Excluding Food and Energy. Using 1995 CPI-U All Items as a base, \$1.00 in 1995 would equate to approximately \$1.36 in August 2006; if CPI-U for All Items Excluding Food and Energy were to be used then \$1.00 in 1995 would equate to \$1.31. This calculation can be supported by using the BLS on-line Inflation Calculator at <http://data.bls.gov/cgi-bin/cpicalc.pl>.

IC 13-16-2-1 (11) states "The commissioner may adjust all fees on January 1 of each calendar year by the Consumer Price Index using revision of the CPI that is most consistent with the CPI for the calendar year 1995."

All CPI information was gleaned from the Bureau of Labor Statistics (BLS) web stite
http://www.bls.gov/schedule/archives/cpi_nr.htm#2005.

Indiana Department of Environmental Management
Analysis of Title V Cash Balance and Available Funds
Prepared September 21, 2006

Fund Balance per Auditor of State 6/30/2006	\$10,039,779
Less Outstanding Obligations (Encumbrances at the Auditor of State)*	(\$70,677)
Less FY 07 Charges for Agency Wide Services	(\$2,633,351)
Less FY 06 fund balance needed to carry program until FY 07 fees are received **	<u>(\$7,883,156)</u>
Unobligated Fund Balance at 6/30/2006	<u>(\$547,405)</u>

* Does not include \$6,131,187 in contractual liabilities as of 6/30/2006.

** Permits are not billed until the third quarter of the fiscal year. Therefore, there must be sufficient funds at the beginning of the fiscal year to carry the operating center for at least 3/4 of the fiscal period.

***Transfer of dedicated funds to the general fund did not occur in FY 06. This may or may not occur in FY 07. It will probably be dependent on whether a general fund deficit is anticipated at 6/30/07.

INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
TITLE V OPERATING PERMIT TRUST FUND: 2760
FUND ANALYSIS REPORT
As of June 30, 2006

CASH BALANCE July 1, 2005:

\$11,273,380

REVENUE:

PERMIT FEES	\$10,715,061
STATE	\$0
FEDERAL	\$0
DED SHARE FED INDIRECT COST	\$57,459
MISCELLANEOUS	\$1,655
INTEREST	\$196,722
PRIOR YEAR	\$0

TOTAL REVENUE:

\$10,970,897

EXPENSES:

PERSONAL SERVICES	\$5,684,065
OTHER SERVICES	\$147,720
CONTRACTUAL SERVICES	\$3,174,820
SUPPLIES	\$54,102
EQUIPMENT	\$151,046
MISCELLANEOUS	\$8,411
REV ADJ (PRIOR YEAR)	\$1,500
DED TRF TO GEN FUND	\$0
GRANTS	\$316,626
ADMIN SUPPORT	\$2,631,589
IN-STATE TRAVEL	\$24,426
OUT-OF-STATE TRAVEL	\$10,193

TOTAL EXPENSES:

\$12,204,498

AUDITOR'S FUND BALANCE:

\$10,039,779

OUTSTANDING OBLIGATIONS:

CONTRACTUAL SERVICES	\$6,131,187
SUPPLIES	\$0
EQUIPMENT	\$44,516
GRANTS	\$96,302

TOTAL OUTSTANDING OBLIGATIONS:

\$6,272,005

AVAILABLE CASH BALANCE:

\$3,767,774

Indiana Department of Environmental Management
Dedicated Funds History
FY 1997 through FY 09
As Of June 30, 2006

2760 Title V Operating Permit Trust Fund (aka Title V Trust Fund)

	FY 97	FY 98	FY 99	FY00	FY 01	FY02	FY03	FY 04	FY05	FY 06	FY 07 (Est.)	FY 08 (Est.)	FY 09 (Est.)
Beginning Balance	\$12,325,530												
Revenue	\$6,935,136	\$10,383,984	\$10,319,531	\$10,725,146	\$10,746,826	\$10,806,170	\$10,868,283	\$10,532,584	\$10,482,481	\$10,970,897	\$9,899,973	\$9,969,000	\$9,846,000
Expenses	\$8,797,393	\$8,328,200	\$8,193,404	\$9,895,904	\$10,410,196	\$12,037,013	\$12,657,643	\$10,523,713	\$12,008,825	\$12,204,498	\$13,141,579	\$14,475,461	\$13,738,361
Ending Balance	\$10,463,273	\$12,519,057	\$14,645,184	\$15,474,426	\$15,811,056	\$14,580,213	\$12,790,853	\$12,799,724	\$11,273,380	\$10,039,779	\$6,798,173	\$2,291,712	(\$1,600,649)

Notes:

1) All revenue, including general, federal and other dedicated revenue is reflected in the revenue line for each fund.

2) FY 07, 08, 09 revenue and expense reflects estimates provided by the Office of Air Quality.

3) Payment of \$6,131,187 in contractual obligations at 6/30/06 is included in the budgeted expenses for FY 07 - FY 09.

2760 Fund

